Jozini Local Municipality
(Registration number KZN 272)
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Local Municipality- Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) KZN 272
Nature of business and principal activities	Service Delivery - Municipality
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Systems Act (Act 32 of 2000) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Mayor	DP Mabika Mayor EL Gumbi Speaker NS Myeni EXCO member 1 July 2018 to 18 December 2018 and Deputy Mayor from 19 December 2018 to 30 June 2019 SZ Mathenjwa Deputy 1 July 2018 to December 2018 and EXCO member 19 December 2019 to 30 June 2019 TD Khuzwayo EXCO Member NR Zulu EXCO Member RH Gumede EXCO Member ME Ndlela EXCO Member BN Mthethwa EXCO Member 1 July to 16 May 2019
Councillors	MZ Nyawo HE Myeni NF Mthethwa MZ Tembe TR Fakude RN Ndlovu PS Shabangu PNS Ngubane SR Myeni DP Jobe M Mathe B Nhlenyama JE Buthelezi LA Khumalo SK Mncwango SV Mathenjwa TW Zikalala B Mahaye VE Gumede SP Myeni ML Mavundla MS Nkosi JP Mkhamubi

General Information

	SS Mkhize BQ Gumede BI Msweli TM Khumalo PE Vilane TZ Nyawo MZ Nxumalo NL Gumbi
Grading of local authority	Grade 2
Accounting Officer	Mr JA Mngomezulu
Chief Finance Officer (CFO)	Mr MT Nkosi
Registered office	Bottom Town Circle street Jozini 3969
Business address	Bottom Town Circle street Jozini 3969
Postal address	Private Bag x028 Jozini 3969
Bankers	ABSA BANK FNB BANK
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Weich & Kriel Ndwandwe Attorneys Ubuntu Business Advisory Kwela Attorneys Mkhize Attorneys
Municipal Contact details	(035) 572 1292 (035) 572 1266

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The reports and statements set out below comprise the annual financial statements presented to the council:

COIDA	Compensation for Occupational Injuries and Diseases Act
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
UIF	Unemployment Insurance Fund

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the Annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual financial statements and was given unrestricted access to all financial records and related data.

The Annual annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the community and government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Jozini local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's Annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The Annual financial statements set out on pages 5 to 74, which have been prepared on the going concern basis, were approved by the Council on 31 August 2019 and were signed on its behalf by:

Mr J.A Mngomezulu
Accounting Officer

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	31 004 052	23 754 801
Receivables from non-exchange transactions	4	11 006 978	13 967 344
VAT receivable	5	-	2 243 832
Cash and cash equivalents	6	39 298 915	14 232 598
		81 309 945	**54 198 575**
Non-Current Assets			
Property, plant and equipment	7	290 472 411	270 814 982
Intangible assets	8	757 888	1 025 375
		291 230 299	**271 840 357**
Total Assets		**372 540 244**	**326 038 932**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	30 414 605	35 709 205
VAT payable	10	1 881 316	-
Deposits payable	11	831 614	870 873
Unspent conditional grants and receipts	12	7 663 199	411 982
Provisions	13	99 746	145 000
		40 890 480	**37 137 060**
Non-Current Liabilities			
Provisions	13	9 625 075	8 129 802
Total Liabilities		**50 515 555**	**45 266 862**
Net Assets		**322 024 689**	**280 772 070**
Accumulated surplus		322 024 671	280 772 070

* See Note 45 & 44

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	14	3 649 841	3 615 080
Rental of facilities and equipment	15	816 369	772 452
Interest income (trading)		7 649 255	8 907 649
Licences and permits	16	1 328 960	1 247 519
Recoveries		-	3 277 135
Other income	17	400 450	219 003
Interest received - investment	18	3 228 168	4 285 595
Total revenue from exchange transactions		**17 073 043**	**22 324 433**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	24 277 688	23 827 161
Transfer revenue			
Government grants & subsidies	20	206 314 761	188 134 492
Public contributions and donations	21	17 059 608	-
Fines, Penalties and Forfeits	22	1 324 700	1 181 170
Total revenue from non-exchange transactions		**248 976 757**	**213 142 823**
Total revenue		**266 049 800**	**235 467 256**
Expenditure			
Employee related costs	23	(89 218 872)	(76 790 070)
Remuneration of councillors	24	(13 826 469)	(14 291 277)
Depreciation and amortisation	25	(15 763 706)	(21 253 966)
Finance costs	26	(1 134 394)	(855 276)
Debt Impairment	27	(13 968 339)	(20 233 727)
Contracted services	28	(22 338 765)	(36 211 648)
Transfers and Subsidies	29	(20 600 177)	(17 432 684)
Loss on disposal of assets and liabilities		(6 708 991)	(1 147 772)
Actuarial losses		(334 304)	(170 000)
General Expenses	30	(40 970 612)	(51 789 754)
Total expenditure		**(224 864 629)**	**(240 176 174)**
Surplus (deficit) for the year		**41 185 171**	**(4 708 918)**

* See Note 45 & 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	298 920 258	298 920 258
Prior year adjustments Note 44 & 45	(13 439 270)	(13 439 270)
Balance at 01 July 2017 as restated*	**285 480 988**	**285 480 988**
Changes in net assets		
Surplus for the year	(4 708 918)	(4 708 918)
Total changes	(4 708 918)	(4 708 918)
Opening balance as previously reported	280 772 070	280 772 070
Adjustments		
Prior year adjustments Note 44 & 45	67 430	67 430
Restated* Balance at 01 July 2018 as restated*	**280 839 500**	**280 839 500**
Changes in net assets		
Surplus for the year	41 185 171	41 185 171
Total changes	41 185 171	41 185 171
Balance at 30 June 2019	**322 024 671**	**322 024 671**

Note(s)

* See Note 45 & 44

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Taxation		16 415 081	13 586 068
Rental of facilities		1 044 266	711 202
Grants received		224 344 494	188 268 551
Interest income		3 228 168	4 285 596
VAT received		9 401 280	7 204 105
Service charges		1 699 695	1 756 713
Other cash item		2 140 705	1 804 794
		258 273 689	217 617 029
Payments			
Employee costs		(102 624 126)	(88 953 130)
Suppliers		(87 459 383)	(96 849 511)
Finance costs		(1 134 394)	(855 276)
		(191 217 903)	(186 657 917)
Net cash flows from operating activities	31	**67 055 786**	**30 959 112**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 060 218)	(5 710 142)
Work in progress	7	(23 724 254)	(52 598 580)
Purchase of other intangible assets	8	(95 503)	(76 200)
Net cash flows from investing activities		**(24 879 975)**	**(58 384 925)**
Cash flows from financing activities			
Other cash items -Housing grants		(17 109 494)	-
Other cash item - INEP projects		-	(15 306 000)
Net cash flows from financing activities		**(17 109 494)**	**(15 306 000)**
Net increase/(decrease) in cash and cash equivalents		**25 066 317**	**(42 731 813)**
Cash and cash equivalents at the beginning of the year		14 232 598	56 964 411
Cash and cash equivalents at the end of the year	6	**39 298 915**	**14 232 598**

* See Note 45 & 44

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4 431 430	-	**4 431 430**	3 649 841	**(781 589)**	Refer to note 42
Rental of facilities and equipment	948 282	-	**948 282**	816 369	**(131 913)**	Refer to note 42
Interest received (trading)	7 777 701	(716 094)	**7 061 607**	7 649 255	**587 648**	Refer to note 42
Licences and permits	1 740 657	-	**1 740 657**	1 328 960	**(411 697)**	Refer to note 42
Other income - (rollup)	3 520 985	(3 000 000)	**520 985**	400 450	**(120 535)**	Refer to note 42
Interest received - investment	4 052 697	(920 935)	**3 131 762**	3 228 168	**96 406**	Refer to note 42
Total revenue from exchange transactions	**22 471 752**	**(4 637 029)**	**17 834 723**	**17 073 043**	**(761 680)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	29 878 402	-	**29 878 402**	24 277 688	**(5 600 714)**	Refer to note 42
Transfer revenue						
Government grants & subsidies	208 460 000	(1 525 000)	**206 935 000**	206 314 761	**(620 239)**	Refer to note 42
Public contributions and donations	-	-	**-**	17 059 608	**17 059 608**	Refer to note 42
Fines, Penalties and Forfeits	194 766	-	**194 766**	1 324 700	**1 129 934**	Refer to note 42
Total revenue from non-exchange transactions	**238 533 168**	**(1 525 000)**	**237 008 168**	**248 976 757**	**11 968 589**	
Total revenue	**261 004 920**	**(6 162 029)**	**254 842 891**	**266 049 800**	**11 206 909**	
Expenditure						
Personnel	(77 367 475)	1 195 686	**(76 171 789)**	(89 218 872)	**(13 047 083)**	Refer to note 42
Remuneration of councillors	(13 085 980)	(1 095 393)	**(14 181 373)**	(13 826 469)	**354 904**	Refer to note 42
Depreciation and amortisation	(20 197 562)	(2 054 262)	**(22 251 824)**	(15 763 706)	**6 488 118**	Refer to note 42
Finance costs	(14 759)	(797)	**(15 556)**	(1 134 394)	**(1 118 838)**	Refer to note 42
Debt Impairment	(7 854 000)	(3 578 990)	**(11 432 990)**	(13 968 339)	**(2 535 349)**	Refer to note 42
Contracted Services	(45 185 863)	17 167 407	**(28 018 456)**	(22 338 765)	**5 679 691**	Refer to note 42
Transfers and Subsidies	(20 100 000)	(293 562)	**(20 393 562)**	(20 600 177)	**(206 615)**	Refer to note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
General Expenses	(49 967 351)	6 102 972	**(43 864 379)**	(40 970 612)	**2 893 767**	Refer to note 42
Total expenditure	**(233 772 990)**	**17 443 061**	**(216 329 929)**	**(217 821 334)**	**(1 491 405)**	
Operating surplus	**27 231 930**	**11 281 032**	**38 512 962**	**48 228 466**	**9 715 504**	
Loss on disposal of assets and liabilities	-	-	**-**	(6 708 991)	**(6 708 991)**	Refer to note 42
Actuarial gains/losses	-	-	**-**	(334 304)	**(334 304)**	Refer to note 42
	-	**-**	**-**	**(7 043 295)**	**(7 043 295)**	
Surplus before taxation	**27 231 930**	**11 281 032**	**38 512 962**	**41 185 171**	**2 672 209**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**27 231 930**	**11 281 032**	**38 512 962**	**41 185 171**	**2 672 209**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

These accounting policies are consistent with the previous period.

GRAP 1 on Presentation of Financial Statements, excluding discontinued operations and minority interests; transfer of functions and mergers;

GRAP 2 on Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting estimates

GRAP 4 on The Effects of Changes in Foreign Exchange Rates

GRAP 5 on Borrowing Costs;

GRAP 7 on Investments in Associates, excluding discontinued operations;

GRAP 8 on Interests in Joint Ventures;

GRAP 9 on Revenue from Exchange Transactions, excluding amounts arising from exchange of goods and services

GRAP 12 on Inventories;

GRAP 13 on Leases;

GRAP 16 on Investment Property;

GRAP 17 on Property, Plant and Equipment;

GRAP 19 on Provisions, Contingent Liabilities and Contingent Assets, except provisions for social benefits;

GRAP 21 on Impairment of Non-cash-generating Assets, except for disclosures on segments;

GRAP 23 on Non-Exchange Revenue;

GRAP 24 on Presentation of Budget Information in Financial Statements;

GRAP 25 on Employee Benefits;

GRAP 26 on Impairment of Cash-generating Assets, except for disclosures on segments and intangible assets with indefinite useful lives;

GRAP 27 on Agriculture;

GRAP 31 on Intangible Assets;

GRAP 103 on Heritage Assets;

GRAP 104 on Financial Instruments;

GRAP 20 on Related Party Disclosures;

GRAP 108 on Statutory Receivables;

GRAP 109 on Accounting by Principals and Agents

1.1 Presentation currency

These Annual financial statements are presented in South African Rand, which is the functional currency of the municipality.Municipality and all values are rounded of to the nearest Rand (R0)

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount,and there is an intention to settle on a net basis,or to realise the asset and settle the liability simultaneously.

1.4 Significant judgments and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described above, management is required to make judgements, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including , i.e. production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1. Presentation of Annual Financial Statements (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		
• Landfill sites	Straight line	15 years
• Parkhomes	Straight line	10-55 years
• Roads and Pavements	Straight line	10-60 years
Buildings	Straight line	10-55 years
• Storm water drainage	Straight line	20 years
• Parkings and Gardens	Straight line	10 years
• Recreational Facilities	Straight line	30 years
Furniture and fixtures		
• Furniture and fixtures	Straight line	5-15 years
• Bins and containers	Straight line	5 years
Motor vehicles		
• other vehicles	Straight line	5-15 years
Office equipment		
• Computer equipment	Straight line	5-15 years
Other property, plant and equipment	Straight line	
• Grader	Straight line	10 years
• TLB	Straight line	10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1. Presentation of Annual Financial Statements (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Environmental Rehabilitation Provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

1. Presentation of Annual Financial Statements (continued)

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software, other	Straight line	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivables	Financial asset measured at amortised cost

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Unspent conditional grants	Financial liability measured at amortised cost
Consumer deposit	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The Municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The Municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the Municipality analyses a concessionary loan into its component parts and accounts for each component separately. The Municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Subsequent measurement of financial assets and financial liabilities

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the Municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the Municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the Municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1. Presentation of Annual Financial Statements (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1. Presentation of Annual Financial Statements (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1. Presentation of Annual Financial Statements (continued)

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an Municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting Municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting Municipality's own creditors (even in liquidation) and cannot be paid to the reporting Municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting Municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an Municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

1. Presentation of Annual Financial Statements (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an Municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the Municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an Municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The Municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the Municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the Municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the Municipality account for the plan as if it was a defined contribution plan.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

1. Presentation of Annual Financial Statements (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Long-service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.18 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods but are not relevant to its operations:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;

2. New standards and interpretations (continued)

- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Receivables from exchange transactions

Debtors with credit balance	40 944	37 587
Consumer debtors - Refuse	30 564 662	23 206 542
Consumer debtors - Housing rental	398 446	510 672
	31 004 052	**23 754 801**

Trade and other receivables pledged as security

No Trade and other receivables were pledged as security for overdraft facilities.

Trade and other receivables past due but not impaired

There are no Trade and other receivables which are past due and are not considered to be impaired.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2019, trade and other receivables- Refuse of R 44 188 181 (2018: R 38 425 588) were impaired and provided for.

The amount of the provision was R (13 623 519) as of 30 June 2019 (2018: R (15 219 046)).

Gross balances		
Refuse	44 188 181	38 425 588
Housing Rental	398 446	510 672
Debtors with credit balances	40 944	37 587
	44 627 571	**38 973 847**

Less: Allowance for impairment		
Refuse	(13 623 519)	(15 219 046)

Net balance		
Refuse	30 564 662	23 206 542
Housing Rental	398 446	510 672
Debtors with credit balances	40 944	37 587
	31 004 052	**23 754 801**

Included in above is receivables from exchange transactions		
Refuse	44 187 811	38 425 218
Business service levies	370	370
Housing rental	398 446	510 672
Debtors with credit balances	40 944	37 587
	44 627 571	**38 973 847**

Refuse		
Current(0-30 days)	601 211	334 364
31-60 days	455 923	315 093
61 days-90 days	451 114	255 709
91-120 days	448 766	247 193
121-365 days	42 231 167	37 272 859
	44 188 181	**38 425 218**

Housing rental		
Current(0-30 days)	72 532	310 140
31-60 days	42 474	22 440
61 days-90 days	24 236	17 109
91-120 days	36 312	9 668
121-365 days	222 892	151 315
	398 446	**510 672**

Reconciliation of provision for impairment of Refuse

Opening balance	(15 219 016)	(14 678 003)
Provision for impairment	1 595 497	(541 013)
	(13 623 519)	**(15 219 016)**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Receivables from non-exchange transactions

Fines	362 520	291 500
Debtors with credit balances	1 834 848	2 677 496
Insurance refunds	9 000	9 000
Refunds from supplier	3 614 368	3 614 368
Consumer debtors - Rates	5 013 621	7 205 522
Staff and payroll debtors	172 621	169 458
	11 006 978	**13 967 344**

Receivables from non-exchange transactions pledged as security

No other receivables from non-exchange transactions were pledged as security for overdraft facilities.

Receivables from non-exchange transactions past due but not impaired

There are no other receivables from non-exchange transactions which are past due are not considered to be impaired.

Receivables from non-exchange transactions impaired

As of 30 June 2019, other receivables from non-exchange transactions of R 123 334 295 (2018: R 110 733 958) were impaired and provided for.

The amount of the provision was R 112 035 647 as of 30 June 2019 (2018: R (100 483 524)).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Receivables from non-exchange transactions (continued)

Gross balances		
Rates	110 697 781	98 471 746
Fines	7 008 840	5 791 890
Staff and payroll debtors	172 621	169 458
Debtors with credit balances	1 834 848	2 677 496
Insurance refunds	9 000	9 000
Refunds from supplier	3 614 368	3 614 368
	123 337 458	**110 733 958**

Less:Allowance for impairment		
Rates	(105 684 160)	(91 266 224)
Fines	(6 646 320)	(5 550 390)
	(112 330 480)	**(96 816 614)**

Net Balance		
Rates	5 013 621	7 205 522
Fines	362 520	291 500
Staff and payroll	172 621	169 458
Debtors with credit balances	1 834 848	2 677 496
Insurance refunds	9 000	9 000
Refunds from supplier	3 614 368	3 614 368
	11 006 978	**13 967 344**

Included in above is receivables from non-exchange transactions(taxes and transfers)		
Rates	116 593 468	104 367 433
Fines	7 008 840	5 791 890
Staff and payroll debtors	172 621	169 458
Debtors with credit balances	1 834 848	2 677 496
Insurance refunds	9 000	9 000
Refunds from supplier	3 614 368	3 614 368
	129 233 145	**116 629 645**

Rates		
Current(0-30 days)	3 587 105	(1 419 197)
31-60 days	1 635 263	2 565 539
61-90 days	1 485 517	2 987 473
91-120 days	2 313 533	2 382 673
121-365 days	107 572 050	97 850 945
	116 593 468	**104 367 433**

Fines		
Current(0-30 days)	127 000	199 600
31-60 days	134 100	68 600
61-90 days	108 400	161 750
91-120 days	124 800	93 050
131-365 days	6 514 540	5 268 890
	7 008 840	**5 791 890**

Staff and payroll debtors		
> 365 days	172 621	169 458

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Receivables from non-exchange transactions (continued)

Business and commercial

Current (0-30 days)	1 338 437	1 355 488
31-60 days	855 333	1 197 421
61-90 days	765 696	1 065 677
91-120 days	919 254	1 023 886
121-365 days	32 521 839	27 164 202
	36 400 559	**31 806 674**

State and Public service infrastructure

Current (0-30 days)	1 607 266	(3 490 588)
31-60 days	54 762	57 874
61-90 days	47 898	565 931
91-120 days	22 653	55 267
121-365 Days	27 690 737	25 856 453
	29 423 316	**23 044 937**

Residential

Current (0-30 days)	549 090	243 346
31-60 days	537 781	835 494
61-90 days	528 265	825 304
91-120 days	858 186	813 895
121-365 days	40 967 970	36 689 637
	43 441 292	**39 407 676**

Agricultural

Current (0-30 days)	538 844	1 127 060
31-60 days	486 959	812 282
61-90 days	421 476	803 379
91-120 days	801 014	746 486
121-365 days	43 715 325	39 603 888
	45 963 618	**43 093 095**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(91 266 224)	(77 779 347)
Provision for impairment	(14 417 936)	(13 486 877)
	(105 684 160)	**(91 266 224)**

5. VAT receivable

VAT	-	2 243 832

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	30 031 802	3 550 768
Short-term deposits	9 267 113	10 681 830
	39 298 915	**14 232 598**

Figures in Rand	2019	2018

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB BANK - Main Account - 6262-418-5432	20 756 455	1 977 881	1 305 764	20 756 455	1 977 881	1 305 764
Petty cash	-	-	-	-	-	1 683
ABSA BANK - Operational Account - 406-962-4954	9 388 390	1 839 084	4 165 127	9 275 347	1 570 905	3 969 909
Grinrod BANK - Investment - 16444419/11000034006	9 031 845	8 380 105	22 352 243	9 031 845	8 380 105	22 352 243
FNB BANK - Unspent conditional grant - 62406733164	219 567	2 027 058	1 904 863	219 567	2 027 058	1 904 863
FNB BANK - Investment - 62424077403	1 149	13 691	5 617 725	1 149	13 691	5 617 725
FNB BANK - MIG - 6242074033164	-	221 561	208 276	-	221 561	208 276
FNB BANK - Investment- 6258827012	14 551	-	-	14 551	-	-
STD BANK - Investment- 268741042	-	39 415	10 463 963	-	39 415	10 463 963
Ithala BANK - Investment- 18607525	-	-	5 160 651	-	-	5 160 651
Investec	-	-	5 896 241	-	-	5 896 241
Cashiers collections	-	-	-	-	-	8 143
Total	**39 411 957**	**14 498 795**	**57 074 853**	**39 298 914**	**14 230 616**	**56 889 461**

Notes to the Annual Financial Statements

7. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	12 411 805	(2 214 694)	10 197 111	9 461 066	(1 849 108)	7 611 958
Plant and machinery	5 058 952	(1 399 084)	3 659 868	5 265 801	(1 602 117)	3 663 684
Furniture and fixtures	4 733 976	(2 778 181)	1 955 795	4 647 131	(3 657 687)	989 444
Motor vehicles	8 145 274	(4 951 620)	3 193 654	9 004 158	(4 372 109)	4 632 049
IT equipment	3 079 209	(1 817 934)	1 261 275	3 911 668	(2 978 714)	932 954
Infrastructure	230 398 915	(146 471 949)	83 926 966	205 676 667	(140 023 775)	65 652 892
Community	179 174 728	(29 005 647)	150 169 081	154 759 389	(22 868 963)	131 890 426
Work in progress	36 108 661	-	36 108 661	55 441 575	-	55 441 575
Total	**479 111 520**	**(188 639 109)**	**290 472 411**	**448 167 455**	**(177 352 473)**	**270 814 982**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Donations Received**	**Transfers received**	**Transfers**	**Depreciation**	**Write off**	**Impairment Loss**	**Total**
Buildings	7 611 958	29 900	2 920 839	-	-	(365 586)	-	-	10 197 111
Plant and machinery	3 663 684	461 523	-	-	-	(469 162)	3 823	-	3 659 868
Furniture and fixtures	989 444	83 164	1 397 450	-	-	(436 659)	(77 604)	-	1 955 795
Motor vehicles	4 632 049	-	-	-	-	(1 162 959)	(275 436)	-	3 193 654
IT equipment	932 954	398 331	345 241	-	-	(325 506)	(89 745)	-	1 261 275
Infrastructure	65 652 892	-	-	24 800 491	-	(6 505 087)	(21 330)	-	83 926 966
Community	131 890 426	87 300	12 396 078	11 988 840	-	(5 839 919)	(56 879)	(296 765)	150 169 081
Work in progress	55 441 575	23 724 254	-	-	(36 789 331)	-	(6 267 837)	-	36 108 661
	270 814 982	**24 784 472**	**17 059 608**	**36 789 331**	**(36 789 331)**	**(15 104 878)**	**(6 785 008)**	**(296 765)**	**290 472 411**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Adjustment	Additions	Transfers received	Transfers	Depreciation	Write off	Impairment loss	Total
Buildings	7 399 642	(375 944)	890 871	-	-	(302 611)	-	-	7 611 958
Plant and machinery	3 492 389	-	621 654	-	-	(450 359)	-	-	3 663 684
Furniture and fixtures	1 282 082	-	168 904	-	-	(423 112)	(38 430)	-	989 444
Motor vehicles	3 078 681	92 118	3 198 966	-	-	(1 441 769)	(295 947)	-	4 632 049
IT equipment	983 997	-	333 393	-	-	(372 220)	(12 216)	-	932 954
Infrastructure	63 547 045	(1 570 994)	10 793	13 861 221	-	(10 000 282)	(24 817)	(170 074)	65 652 892
Community	116 064 969	(1 371 147)	350 852	24 610 009	-	(5 726 404)	(20 162)	(2 017 691)	131 890 426
Work in progress	39 842 909	1 471 316	52 598 580	-	(38 471 230)	-	-	-	55 441 575
	235 691 714	**(1 754 651)**	**58 174 013**	**38 471 230**	**(38 471 230)**	**(18 716 757)**	**(391 572)**	**(2 187 765)**	**270 814 982**

Pledged as security

No assets are pledged as security:

Compensation received for losses on property, plant and equipment – included in operating profit.

Motor vehicles	45 587	81 911

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed taking longer than anticipated to complete

Work in progress taking longer than anticipated to complete		
Mkhuze Stormwater Project	-	1 678 189
Ngonyameni Hall	4 541 103	4 541 103
Sidakeni Sportsfield	-	414 428
Access Road	-	999 566
Ndumo Taxi Rank	-	809 373
Storm Water Project	-	1 678 189
Jozini	-	347 700
	4 541 103	**10 468 548**

Sidakeni Sportsfield R 414 428 was started in 2016 and no funds have been spent on the project in 2017/18 financial year, except for professional fees which were incurred in 2016. The appointment of contractors has been delayed by unavailability of bid adjudication committee.The project will be restarted in the new financial year and a new study will be performed and the old project professional fees have been written-off .

Mkhuze Stormwater Project Feasibility study for this project was done in 2011 at a cost of R 1 678 189, it was discovered that the project is too expensive. The councilors decided to put the project on hold until the municipality obtain more funding.The projected has been cancelled and the project professional fees have been written-off.

Ngonyameni Hall, the projection started in 2016, R4 541 103 was spent on the project and no funds were further spent on the project in the 2017/18 financial year. The contractor did not complete the hall and the entire project is under forensic investigation.

Included in Work in Progress for prior years in the expenditure for 5 projects amounting to R 4 249 251.96 which related to studies that were taken,How ever the actual construction never commenced due to unavailability of funds at that time.

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	33 284 819	22 156 756	55 441 575
Additions/capital expenditure	9 380 510	14 343 745	23 724 255
Other movements [Adjustments]	(6 267 838)	-	(6 267 838)
Transferred to completed items	(24 800 491)	(11 988 840)	(36 789 331)
	11 597 000	**24 511 661**	**36 108 661**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	16 989 122	4 845 196	-	21 834 318
Additions/capital expenditure	14 655 225	17 359 333	-	32 014 558
Reclassification within class of property and equipment	14 030 376	24 562 236	1 219	38 593 831
Adjustments	1 471 317	-	(1 219)	1 470 098
Transferred to completed items	(13 861 221)	(24 610 009)	-	(38 471 231)
	33 284 819	**22 156 756**	**-**	**55 441 575**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Community buildings	1 516 275	3 260 808
Plant and Equipment	-	231 935
Infrastructure	2 334 917	3 599 814
	3 851 192	**7 092 557**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

8. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 873 669	(1 115 781)	757 888	1 789 140	(763 765)	1 025 375

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 025 375	95 503	(929)	(362 061)	757 888

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 298 312	76 200	(349 137)	1 025 375

9. Payables from exchange transactions

Trade payables	10 544 204	15 802 789
Retention	9 390 552	9 203 596
Accrued bonus	81 340	55 375
Surety	1 110 613	1 387 622
Deposits received	74 924	74 924
Leave pay provision	5 507 587	4 731 908
Bonus provision	1 567 770	1 567 893
Compensation Commission	47 370	4 637
Debtors with credit balances	1 875 792	2 715 083
Advances	7 838	4 231
Other payables	206 615	161 147
	30 414 605	**35 709 205**

The annual bonus is payable on the anniversary of the employee's date of employment with the Municipality. The annual bonus is calculated monthly as per the formula at the ordinary salary rate earned during each relevant month and accumulated and paid to the employee.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Payables from exchange transactions (continued)

A Municipality pays every employee, for each month that the employee was paid or entitled to be paid in respect of each completed 12 months of service with such municipality. In the event that the employer a prorated share of bonus for the period of the year that he/she worked.

In terms of the performance agreements, employee's contract of employment, Local Government performance Regulations 2006 and the Jozini Remuneration Policy, management (Section 57 mangers) are entitled to the payment of a performance bonus that is equivalent to the score obtained during performance appraisal.

Relates to accrual for unused leave at year-end. The leave is expected to be taken over the next financial year and is calculated based on employee total cost to company.

10. VAT payable

Tax payables	1 881 316	-

11. Deposits payable

Hall Refunds	13 443	1 443
Unallocated deposits	105 468	107 228
Land stand deposits	712 703	762 202
	831 614	**870 873**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Ubuhle besiko cultural village	69 700	69 700
Development of Recycling centre	10 730	10 730
Fresh Product Market Grant	73 002	73 002
Implementation of pound	48 418	48 418
Housing Grant	6 707 051	76 073
Library Grant	-	134 059
Land use Scheme	500 000	-
Building Plan Grant	28 500	-
Ngwenya Community Centre	225 798	-
	7 663 199	**411 982**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

13. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	6 152 802	793 815	6 946 617
Long service award provision	2 122 000	656 204	2 778 204
	8 274 802	**1 450 019**	**9 724 821**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	4 747 312	702 745	5 450 057
Long service award provision	1 248 000	437 000	1 685 000
	5 995 312	**1 139 745**	**7 135 057**

	2019	2018
Non-current liabilities	9 625 075	8 129 802
Current liabilities	99 746	145 000
	9 724 821	**8 274 802**

Environmental rehabilitation provision

he provision for rehabilitation of landfill sites relate to the legal obligation to rehabilitate the landfill sites used for waste disposal in accordance with the National Environmental management Act 107 of 1998 and Environmental Conservation Act No 73 of 1989. It is calculated as the present value of the expenditure expected to be required to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental specialist

Employee benefit cost provision

Defined Contribution Plan. Jozini offers bonuses for every 5 years of completed service from 5 years to 45 years. Below are actuarial assumption relating to calculation of the defined contribution plan liability.

Actuarial Assumptions	**2019**	**2018**
Discount Rate	8.44%	9.23%
CPI	5.72%	6.79%
Salary increase rate	6.79%	6.81%
Net Discount rate	2.57%	2.28%
	24.09%	**23.69%**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

13. Provisions (continued)

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation. The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2018 the duration of liabilities was 8.99 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 29 June 2019 is 8.44% per annum, and the yield on inflationlinked bonds of a similar term was about 3.07% per annum. This implies an underlying expectation of inflation of 5.37% per annum ([1 + 8.44% - 0.5%] / [1 + 3.07%] - 1). We have assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 5.72% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.57% per annum ([1 + 8.44%] / [1 + 5.72%] - 1).The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

In addition to the salary assumption arrived at in the previous page,the following promotional increase were applied at the following ages:

Age Band	**Promotional Increase**
20-24	- 5.00%
25-29	- 4.00%
30-34	- 3.00%
35-39	- 2.00%
40-44	- 1.00%
	- 15 %

14. Service charges

Solid waste	3 649 841	3 615 080

15. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	816 369	772 452

16. Licences and permits (exchange)

Road and Transport	1 317 308	1 239 830
Trading	11 652	7 689
	1 328 960	**1 247 519**

17. Other income

Skills development levy refund	-	74 218
landing fees	36 202	-
Photocopies and faxing	5 987	-
Insurance Refund	75 365	44 559
Sale of tender documents	55 609	41 898
Advertisements	28 290	47 808
Cemetery and Burial	4 247	877
Application Fees for Land Usage	24 976	-
Building Plan Approval	167 696	9 158
Clearance Certificates	1 612	485
Recycling of Waste	466	-
	400 450	**219 003**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

18. Investment revenue

Interest revenue		
Bank Accounts	1 250 715	975 781
Short Term Investments and Call Accounts	1 977 453	3 309 814
	3 228 168	**4 285 595**

19. Property rates

Rates Billed

Residential	1 696 369	1 696 364
Business and Commercial	10 440 532	10 400 692
State	10 654 924	10 756 450
Agricultural	1 389 521	962 581
Public Service Infrastructure	96 342	11 074
	24 277 688	**23 827 161**

Valuations

Residential	161 584 000	161 834 000
Business, Commercial,Tourism and Industrial	641 263 000	641 185 000
State	1 108 376 000	1 108 376 000
Municipal	12 240 000	12 240 000
Place of worship	9 563 000	9 563 000
Protected areas	981 494 000	865 549 000
Public Service Infrastructure	79 211 000	14 211 000
Rural Communal Land	292 164 000	292 164 000
Hospitality Industry	1 700 000	1 700 000
Agriculture	800 939 000	916 884 000
	4 088 534 000	**4 023 706 000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.There was an extention of a year at the end of 30 June 2018.The next general valuation come into effect on 1 July 2019.

The new general valuation will be implemented on 01 July 2019.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Government grants and subsidies

Operating grants		
Equitable share	159 965 000	142 766 551
Expanded Public Works Program	2 751 000	3 156 000
Financial Management Grant	1 970 000	1 900 000
Community Library Service Grant	4 396 059	2 308 941
Building Plan Grant	471 500	-
Ngwenya Community Centre	74 202	-
	169 627 761	**150 131 492**
Capital grants		
MIG	36 687 000	38 003 000
	206 314 761	**188 134 492**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	46 349 761	45 367 941
Unconditional grants received	159 965 000	142 766 551
	206 314 761	**188 134 492**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Ubuhle besiko cultural grant

Balance unspent at beginning of year	69 700	69 700

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Development of recycling center grant

Balance unspent at beginning of year	10 730	10 730

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Fresh products Market grants

Balance unspent at beginning of year	73 002	73 002

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Implementation of pound Grant

Balance unspent at beginning of year	48 418	48 418

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Housing Grant

	2019	2018
Balance unspent at beginning of year	76 073	76 073
Current-year receipts	17 409 494	-
Current year expenditure	(10 778 516)	-
	6 707 051	**76 073**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Library Grant

	2019	2018
Balance unspent at beginning of year	134 059	-
Current-year receipts	4 262 000	2 443 000
Conditions met - transferred to revenue	(4 396 059)	(2 308 941)
	-	**134 059**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Land Use Scheme Grant

	2019	2018
Current-year receipts	500 000	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

MIG

	2019	2018
Balance unspent at beginning of year	-	2 633 886
Current-year receipts	36 687 000	38 003 000
Conditions met - transferred to revenue	(36 687 000)	(38 003 000)
Other	-	(2 633 886)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Building Plan Grant

	2019	2018
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(471 500)	-
	28 500	**-**

Conditions still to be met - remain liabilities (see note 12).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Government grants and subsidies (continued)

Provide explanations of conditions still to be met and other relevant information.

Financial Management Grant

Current-year receipts	1 970 000	1 900 000
Conditions met - transferred to revenue	(1 970 000)	(1 900 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Ngwenya Community Centre Grant

Current-year receipts	300 000	-
Conditions met - transferred to revenue	(74 202)	-
	225 798	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Expanded Public Works Grant

Current-year receipts	2 751 000	1 900 000
Conditions met - transferred to revenue	(2 751 000)	(1 900 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

21. Public contributions and donations

Property plant and equipment from 3rd parties	17 059 608	-

Public donations contributions comprise of :

Public donations of Property plant and equipment		
Buildings	2 920 839	-
Furniture and Fixtures	1 397 450	-
IT equipment	345 241	-
Community assets	12 396 078	-
	17 059 608	-

22. Fines, Penalties and Forfeits

Overdue Books Fines	91	2 171
Pound Fees Fines	8 222	8 049
Municipal Traffic Fines	1 315 750	1 170 950
Retentions Forfeits	637	-
	1 324 700	**1 181 170**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Employee related costs

Basic	59 770 041	50 385 707
Bonus	3 130 037	3 038 640
Medical aid - company contributions	4 119 860	2 492 175
UIF	409 626	367 247
Leave pay provision charge	1 683 094	1 324 349
Overtime payments	4 219 277	4 700 946
Long-service awards	290 000	274 816
Acting allowances	394 220	788 452
Car allowance	6 593 747	5 233 891
Housing benefits and allowances	478 725	324 021
standby allowances	1 652 943	753 879
Cellphone and Telephones	176 076	432 256
Pension expenses	6 301 226	6 673 691
	89 218 872	**76 790 070**

Remuneration of municipal manager

Annual Remuneration	1 006 406	1 061 753
Backpay	9 500	-
Contributions to UIF, Medical and Pension Funds	1 487	1 785
Rural Allowance	57 015	-
Cellphone Allowance	13 500	18 000
Housing Allowance	-	73 672
	1 087 908	**1 155 210**

Mr MB Mnguni acted in the municipal managers position for a period from 31 July 2018 to 31 January 2019.

Mr LB Mpontshane acted in the municipal managers position for a period from 1 February 2019 to 5 June 2019.

Mr LMV Cele acted in the municipal managers position for a period from 6 June 2019 to 31 July 2019.

Remuneration of chief finance officer

Annual Remuneration	981 560	80 243
Travel Allowance	84 047	25 643
Cellphone Allowance	16 500	-
Contributions to UIF, Medical and Pension Funds	1 785	298
Acting allowance	-	11 840
Leave pay	26 969	-
Rural allowance	50 651	-
Backpay	37 184	-
Reimbursement travel	31 647	-
	1 230 343	**118 024**

Mr MT Nkosi acted as CFO for a period from 1 July to 18 December 2019.

Remuneration of Corporate services

Annual Remuneration	704 161	1 389 729
Car Allowance	-	65 707
Rural Allowance	53 616	-
Contributions to UIF, Medical and Pension Funds	1 636	71 463
Housing allowance	-	24 856
Cell phone allowance	16 384	141 902
Acting Allowance	103 763	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Employee related costs (continued)

Backpay	17 304	-
Reimbursement travel	114 517	-
Leave pay	51 088	-
	1 062 469	**1 693 657**

Mrs LA Mncwango acted in the Director: Corporate services position from 5 June 2019 to 31 August 2019.

Remuneration of Director of Technical services

Annual Remuneration	274 958	72 981
Subsistence Allowance	900	1 866
Cellphone Allowance	6 000	-
Contributions to UIF, Medical and Pension Funds	595	23 500
Travel Allowance	-	11 840
Reimbursement travel	29 628	12 275
Rural Allowance	19 247	-
	331 328	**122 462**

Remuneration of Director Community Services

Annual Remuneration	726 732	80 243
Cellphone Allowance	16 500	-
Rural allowance	50 871	-
Backpay	3 371	-
Travel Allowance	-	25 643
Acting Allowance	62 712	11 840
Reimbursement travel	76 867	19 662
	937 053	**137 388**

24. Remuneration of councillors

Mayor	868 549	844 793
Deputy Executive Mayor	409 846	555 510
Mayoral Committee Members	2 592 921	3 769 593
Speaker	703 000	685 130
Councillors	9 252 153	8 436 251
	13 826 469	**14 291 277**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

The Executive Mayor has two full-time bodyguards.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

25. Depreciation, amortisation and impairment

Property, plant and equipment	15 104 880	18 717 063
Impairment on property,plant and equipment	296 765	2 187 766
Intangible assets	362 061	349 137
	15 763 706	**21 253 966**

26. Finance costs

Finance costs on provision for land fill site and long service award	1 134 394	855 276

27. Debt impairment

Contributions to debt impairment provision	13 968 339	19 630 190
Bad debts written off	-	603 537
	13 968 339	**20 233 727**

28. Contracted services

Outsourced Services		
Animal Care	335 680	697 682
Burial Services	627 411	558 753
Cleaning Services	441 517	288 755
Professional Staff	68 100	121 878
Security Services	96 333	717 061
Transport Services	-	12 720
Consultants and Professional Services		
Business and Advisory	8 891 821	13 153 554
Infrastructure and Planning	162 611	859 772
Legal Cost	2 694 901	5 049 968
Contractors		
Aerial Photography	-	259 080
Artists and Performers	129 150	42 931
Audio-visual Services	-	8 573
Catering Services	4 263 164	4 260 240
Electrical	138 976	954 243
Employee Wellness	230 582	163 880
Event Promoters	172 515	615 683
Maintenance of Buildings and Facilities	1 516 275	3 260 808
Maintenance of Equipment	-	231 935
Maintenance of Unspecified Assets	2 334 917	3 599 814
Medical Services	-	607 000
Traffic and Street Lights	-	77 462
Stage and Sound Crew	175 600	609 063
Exhibit Installations	59 212	60 793
	22 338 765	**36 211 648**

29. Transfers and subsidies paid

Poverty Relief		
Poverty Relief	20 600 177	17 432 684

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

30. General expenses

Accommodation	1 046 718	3 925 531
Achievements and Awards	50 710	312 000
Advertising	612 057	543 394
Auditors remuneration	2 652 321	2 782 652
Bank charges	240 235	114 889
Bargain council	23 626	19 117
Bursaries-Employees	176 035	150 744
Bursary -non employees	911 199	867 518
Consumables	50 356	1 691 657
Daily allowances	350 143	972 921
Electricity	5 174 550	5 573 031
Events	1 330 092	1 905 872
Fuel and oil	2 466 817	4 415 325
Hire	564 325	2 029 220
Incidental costs	14 909	20 653
Insurance	701 257	483 051
IT expenses	62 549	31 679
Learnership & Internship	209 441	631 643
Motor vehicle expenses	-	371 867
Operational Sukuma Sakhe Interventions	-	194 500
Other expenses	458 487	271 103
Postage and courier	5 719	7 674
Prayer day expenses	-	148 842
Printing and stationery	1 758 392	376 054
Promotions and sponsorships	1 676 896	2 153 243
Protective clothing	539 723	1 057 758
Remuneration of ward committees	3 479 900	3 844 427
Signage	329 839	196 640
Skills development fund	831 687	716 201
Subscriptions and membership fees	590 682	8 915
Telephone and 3G	3 807 434	5 348 171
Travel agency and visas	2 662 140	2 783 075
Travel - local	7 817 615	7 830 933
Workmens compensation	374 758	9 454
	40 970 612	**51 789 754**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Cash generated from operations

Surplus (deficit)	41 185 171	(4 708 918)
Adjustments for:		
Depreciation and amortisation	15 763 706	21 253 966
Gain on sale of assets and liabilities	6 708 991	1 147 772
Actuarial losses	334 304	170 000
Finance costs	1 134 394	855 276
Debt impairment	13 968 339	20 233 727
Donations	(17 059 608)	-
Movements in provisions	1 450 019	1 139 745
INEP set off against equitable share	-	(3 267 266)
MIG grant netted off against equitable share	-	(2 633 866)
INEP projects transferred out	-	(3 598 453)
Prior year error	-	1 045 796
Other non-cash items	-	(1 755 356)
Changes in working capital:		
Receivables from exchange transactions	(7 249 251)	(2 087 813)
Receivables from non-exchange transactions	2 960 366	(143 142)
Payables from exchange transactions	(5 294 587)	12 606 976
VAT	5 941 984	(3 627 715)
Taxes and transfers payable (non exchange)	(39 259)	95 876
Unspent conditional grants and receipts	7 251 217	(5 767 493)
	67 055 786	**30 959 112**

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	18 890 428	26 821 760
Total capital commitments		
Already contracted for but not provided for	18 890 428	26 821 760

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	18 890 428	26 821 760

Figures in Rand	2019	2018

33. Contingencies

Matter	Name of Claimant	Progress of claim	2019 Possible liability	2018 Possible liability
Vat services	Preson Investments (PTY) Ltd t/a Chain concepts	Matter accordingly set down for trial on 4 and 5 November 2019	3,500,000	3,500,000
Labour dispute	John Fitzgerald Kuhlekonke Khumalo	Awaiting a date from the Labour Court	150,000	150,000
Labour dispute	Lonowabo Carrison Maka	Matter ruled in favour of municipality. Mr Maka has now applied for leave to appeal the judgement	4,869,960	4,869,960
Breach of contract	Siyakwethemba Construction JV Mbuthuma Construction	Instruction was received to close the file on 05 May 2017		670,754
Cliams for damages to vehicle araising from pothole	Victoria Makhosazana Zakaza	Matter stayed ,will notify if any further action is taken	30,346	-
			8,550,306	**9,190,174**

34. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality’s income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- Foreign currency risk

The municipality’s activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

34. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	30 152 307	-	-	-
• Deposits and refunds	831 614	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	35 709 253	-	-	-
• Deposits and refunds	870 874	-	-	-

34. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents-The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major institutions. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables-Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.No credit limits were exceeded during the reporting period, and management does not expect any surplus (deficit) from non-performance by these counterparties.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2019**	**2018**
Receivables from exchange transactions	31 004 052	23 754 801
Receivables from non-exchange transactions	11 003 815	13 967 344
VAT Receivables / (Payables)	(1 906 529)	2 243 832
Cash and cash equivalents	39 300 198	14 232 646
Payables from exchange transactions	(30 152 307)	(35 709 253)
Deposits payables	(831 614)	(870 874)
Unspent grant	(7 663 199)	(411 982)
Provisions	(9 724 821)	(8 724 802)

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

34. Risk management (continued)

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Instruments disclosure

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows:

Financial Assets	**Classification**
Current investments	
30 day deposits	Financial Assets at amortised cost
Trade receivables from exchange transactions & non-exchange transactions	
Consumer debtors	Financial Assets at amortised cost
Other debtors	Financial Assets at amortised cost
Bank, Cash and Cash Equivalents	
Bank Balances	Financial Assets at amortised cost
Cash on hand	At fair Value

35. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 322 024 671 and that the municipality's total assets exceed its liabilities by R 322 024 671.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

36. Events after the reporting date

No events after reporting period were identified.

37. Unauthorised expenditure

	2019	2018
Opening balance as previously reported	84 725 471	55 488 369
Opening balance as restated	**84 725 471**	**55 488 369**
Add: Current year	14 334 046	29 237 102
Closing balance	**99 059 517**	**84 725 471**

38. Fruitless and wasteful expenditure

	2019	2018
Opening balance as previously reported	5 098 246	5 262 554
Opening balance as restated	**5 098 246**	**5 262 554**
Other	-	5 150
Ghost employees recoverable	-	(169 458)
Interest telkom	605	-
Closing balance	**5 098 851**	**5 098 246**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

38. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Other	Recommended for write-off to council	-	5 150
Ghost employees recoverable	Amount recoverable from employee	-	(169 458)
Interest telkom	Recommended for write-off to council	605	-
		605	**(164 308)**

39. Irregular expenditure

Opening balance as previously reported	374 917 223	313 411 653
Opening balance as restated	**374 917 223**	**313 411 653**
Add: Irregular Expenditure - Tender prior period	33 131 239	15 932 415
Add: Irregular - Tender current year	16 749 021	40 176 178
Add : Irregular- other	700 372	5 396 977
Add: Irregular expenditure excessive claims	825 734	-
Closing balance	**426 323 589**	**374 917 223**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Bid committees not constituted correctly	Recommended for write-off to council	24 271 881	7 664 042
Non compliance with section 36	Recommended for write-off to council	2 907 468	9 474 711
Three written quotations not invited	Recommended for write-off to council	420 892	810 826
		27 600 241	**17 949 579**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

39. Irregular expenditure (continued)

Cases under investigation

SCM Register under investigation for 2018/2019

Non compliance with section 36	80 140	12 030 916
Three written quotations not invited	-	36 300
Excessive claims	825 734	-
Bid Committees not constituted correctly	3 158 969	12 839 541
	4 064 843	**24 906 757**

Analysis of expenditure awaiting write-off per age classificaton

Current year	374 917 233	-
Prior year	50 580 632	316 755 804
	425 497 865	**316 755 804**

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	580 946	681 530
Amount paid - current year	(580 946)	(681 530)
	-	-

Medical Aid Deductions

Current year subscription / fee	5 082 248	4 399 143
Amount paid - current year	(5 082 248)	(4 399 143)
	-	-

Audit fees

Current year subscription / fee	2 652 321	2 239 936
Amount paid - current year	(2 652 321)	(2 239 936)
	-	-

PAYE and UIF

Opening balance	(16 510)	-
Current year subscription / fee	14 770 835	11 887 924
Amount paid - current year	(14 757 645)	(11 904 434)
	(3 320)	**(16 510)**

Pension

Current year subscription / fee	9 726 714	8 264 997
Amount paid - current year	(9 497 613)	(8 264 997)
	229 101	-

Figures in Rand	2019	2018

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	-	2 243 832
VAT payable	1 881 316	-
	1 881 316	**2 243 832**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor RH Gumede	2 533	21 357	23 890

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor RH Gumede	3 074	23 999	27 073

41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the Annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations

Deviations are

disclosed below.

Figures in Rand	2019	2018
Opening Balance	26 640 084	22 395 048
Current year	1 521 940	4 245 036
Subtotal	28 162 024	26 640 084
	28 162 024	**26 640 084**

42. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

42. Budget differences (continued)

All material variances are explained below:

Service charges - Certain sites like Cambrige stores did not sign their agreements for refuse collection and hence were not billed even though budgeted for.

Rental of facilities and equipment - Council approved tariffs were used in budgeting whereas lease agreement tariffs were used for actual billing.

Interest received - Interest on debtors is based on customers who did not honour their debts, particularly government institutions like National Public Works who were expected to pay before the end of the financial year.

Licences and permits - The delays in the construction of the testing ground have made us lose income with respect to drivers license tests. Learners license tests are the major source of revenue.

Property rates - There was a change of category from state owned to agriculture for the Rural Development and Land Reform properties. The Agriculture category has low tariffs plus a 30% rebate which have impacted on billing.

Public contributions and donations - Relate to Community halls which worth 12.4 million donated by Traditional authorities, Furniture from Arts and culture Department, that were allocated to KwaQondile Library, Jozini Library and KwaJobe Library worth R1.7 million, Modular library Parkhomes and Guard house which worth R2.9 million. The total donated assets worth R17.05 million

Personnel - Certain posts were not budgeted for for example VIP protection officers for councillors, new posts were also filled in the current year and included therein are managerial posts,the company contributions of which are huge as evidenced by the R4 Million medical aid contributions. The Municipal Manager was suspended with full pay and Directors were acting in this post throughout the financial year. About R2 Million is the contribution of Provision for leave pay and long service awards.

Fines penalties and forfeits - The basis for budgeting was traffic fines receipts historical information instead of traffic fines issued.

Depreciation and amortisation - Some of Jozini Municipal assets were heading towards the end of its useful life, some were written off due to poor and very poor condition and some of the assets were unbundled so a change in estimated useful life

Finance costs - This is as a result of SARS penalties .

Debt impairment - Certain businesses who committed to pay for property rates defaulted and hence contributed to the huge debtors book more than 90% of which is older than 180 days.

Contracted services - Due to cost cutting measures we are reducing costs related to contracts .

43. Related parties

Related party balances

Related party transactions

Transactions with Key Mangement		
Councillors	13 829 632	14 291 277
Municipal Manager and section 57 personal	4 649 101	3 226 471

Remuneration of management

Mayoral committee members

Refer to to note 24 on councillors remuneration.

Councillors/Mayoral committee members

Refer to to note 24 on councillors remuneration

Executive management

Refer to to note 23 on Employee related costs

44. Prior period errors

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Receivables from exchange transactions	-	2 009 289
Receivables from non-exchange transactions	-	(164 609)
VAT Receivable	-	550 994
Property plant and equipment	-	(2 126 604)
Intangible assets	-	232 757
Payables from exchange transactions	-	4 104 739
Opening Accumulated Surplus or Deficit	-	4 606 566

Statement of financial performance		
Interest income (trading)	-	(8 306 127)
Property rates	-	(3 932 303)
Depreciation and amortisation	-	(386 781)
Provision for debt impairment	-	(5 725 664)
Loss on disposal of assets and liabilities	-	1 147 772
General expenses	-	(732 341)
Opening Accumulated Surplus or Deficit	-	(1 793 544)

45. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Notes to the Annual Financial Statements

Figures in Rand

45. Prior-year adjustments (continued)

2019

	Note	As previously reported	2017 Adjustment	2018 Adjustment	Re-classification	Restated
Receivables from exchange transactions	3	21 745 512	-	2 009 289	-	23 754 801
Receivables from non-exchange transactions	4	29 911 048	(16 108 313)	(164 609)	-	13 967 344
VAT receivable	5	1 692 838	-	550 994	-	2 243 832
Cash and cash equivalents	4	14 228 367	-	-	(4 279)	14 232 646
Property, plant and equipment	7	272 941 586	-	(2 126 604)	-	270 814 982
Intangible assets	8	792 618	-	232 757	-	1 025 375
Payables from exchange transactions	9	31 600 235	-	4 104 739	4 279	35 709 253
		372 912 204	**(16 108 313)**	**4 606 566**	**-**	**361 748 233**

Statement of financial performance

2019

	Note	As previously reported	2018 Adjustment	Re-classification	Restated
Sale of goods		41 898	-	(41 898)	-
Rendering of services		58 328	-	(58 328)	-
Interest income(trading)		17 213 776	(8 306 127)	-	8 907 649
Other income	17	118 777	-	100 226	219 003
Property rates	19	27 715 944	(3 932 303)	-	23 783 641
Depreciation and amortisation	25	21 640 747	(386 781)	-	21 253 966
Provision for Debt impairment	27	25 959 391	(5 725 664)	-	20 233 727
Contracted services	28	37 896 383	-	(1 684 745)	36 211 648
Transfers and Subsidies	29	16 556 812	-	875 872	17 432 684
loss on disposal of assets and liabilities		-	1 147 772	-	1 147 772
General expenses	30	52 522 095	(732 341)	-	51 789 754
Deficit for the year		**199 724 151**	**(17 935 444)**	**(808 873)**	**180 979 844**